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ALTS

Association for Local Telecommunications Services

Nov 19 4 05 PM '97

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VICE PRESIDENT &
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 19, 1997

Chairman William E. Kennard
Federal Communications Commission
1919 M St., NW
Washington, D.C. 20054

CC DKT 97-231

Dear Chairman Kennard:

ALTS directs your attention to the recent press reports in Communications Daily, TR Daily, and BNA-Regulation, Law & Economics (each dated November 14, 1997), in which senior Bell Atlantic executives acknowledge that local calls to Internet service providers ("ISPs") are "considered local" under the Commission's current rules (see attached article from Communications Daily). Inasmuch as Bell Atlantic would pay "$50 to $100 million" for terminating such traffic in 1998, Bell Atlantic indicates that it plans to ask the Commission to change these rules.

ALTS would like to inform you that although Bell Atlantic now admits this traffic is treated as local under the Commission's rules, it refuses to pay for termination of this traffic under its reciprocal compensation agreements for local traffic with CLECs. Only in those states within its region that have specifically directed payment of reciprocal compensation for this traffic (New York, Maryland, Virginia, and Connecticut) is Bell Atlantic honoring its reciprocal compensation agreements. In order to stop this defiance of the Commission's rules by Bell Atlantic, as well as other ILECs, ALTS filed a letter with the Chief of the Common Carrier Bureau on June 20, 1997, urging issuance of a prompt clarification that calls made to Internet service providers from within local calling areas are required to be treated as local for the purposes both of end user tariffs and reciprocal compensation agreements -- precisely what Bell Atlantic has apparently now acknowledged in these press interviews.

ALTS respectfully suggests that the Commission should immediately issue the requested clarification in light of Bell Atlantic's remarks. Furthermore, with all due respect, Bell Atlantic has no business making plans to ask the Commission to

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change a rule until it starts complying with that rule. In particular, ALTS strenuously objects to any reopening of the current Internet NOI proceeding (Usage of the Public Switched Network by Information Service and Internet Access Providers (CC Docket No. 96-263, released December 24, 1996)) to permit new pleadings from Bell Atlantic and any other ILECs parties unless and until Bell Atlantic and the other ILECs pay all reciprocal compensation amounts they currently owe to the members of ALTS.

Please don't hesitate to call upon me at any time if I can provide you with further information on this important matter.

Best regards,

Dick Metzger

cc: E. Krachmer
R. Metzger
T. Power
J. Schlichting
E. Young - BA
M. Salas - Secretary - CCB/CPD 97-30

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Today:

FCC Help To Be Sought

BELL ATLANTIC TROUBLED BY HIGH COST OF HANDLING CLEC INTERNET TRAFFIC

Bell Atlantic (BA) may file petition with FCC soon asking for help in handling problem that has arisen as competitive LECs acquire more Internet service providers (ISPs) as customers, officials said Thurs. in meeting with news media. Issue arose as part of routine update on state of competition in BA territory.

Problem involves amount of reciprocal compensation BA pays to CLECs for terminating calls that BA customers make to CLEC customers. Because CLECs have increasing number of ISP customers, traditional traffic patterns are changing, BA Senior Vp Thomas Tauke said. He estimated that BA will pay CLECs \$50-\$100 million in 1998 to terminate Internet calls going from BA customers to CLECs' ISP customers. He said Internet traffic doesn't follow traditional patterns -- it all flows in one direction, from customer to ISP, but not back again. Thus, BA ends up making far more payments to CLECs for terminating calls than vice versa.

BA Senior Vp Edward Young said company is "contemplating" asking FCC to change way Internet traffic is classified for regulatory purposes. Such calls now are considered local, even though they eventually may terminate on distant points of Internet. Because they're local calls, reciprocal compensation must be used to reimburse CLECs, Tauke said. He said another alternative is to classify ISPs as long distance companies, but FCC has declined to do that and BA isn't proposing it either. "We all realize the benefits of the Internet industry to our economy," Tauke said. "We don't want to stymie that growth."

BA supports 3rd alternative, Tauke said: Coming up with "totally different" approach of some sort. He didn't offer specific proposal except to say there are lot of approaches, such as assessing "measured service" charges on use of its lines for data calls. He said problem generally centers on smaller CLECs that have actively sought ISP partners, lured by "pot of money" they can receive from incumbent LECs through termination charges.

Problem has been festering for long time. Assn. for Local Telecommunications Services (ALTS) petitioned FCC in June for clarification of CLEC rights to receive reciprocal compensation payments for ISP traffic. BA has been feuding with CLECs over ISP issue in N.Y. and refused to pay termination charges for traffic delivered to ISPs there until N.Y. PSC ordered company to do so in July. In addition, Sen. Stevens (R-Alaska) recently raised similar concern when he proposed legislation to reclassify ISPs as telecom providers for universal service purposes.

GTE Offer Remains

MCI AND WORLDCOM ACT TO DISCOURAGE OTHER BIDS AND BREAKDOWN OF AGREEMENT

WorldCom and MCI adopted high breakup fees and penalties to discourage either partner from abandoning \$37-billion deal, and took other steps to block additional unsolicited bids, SEC documents revealed Thurs. Filings show WorldCom will pay MCI \$1.6 billion if regulators block transaction or if other conditions aren't met, and each company agreed to pay \$750 million to other if deal falls apart, mostly if shareowners reject proposal. Analysts said such